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TREASURY PASS TO SECURITIES AND EXCHANGE  
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SUBJECT: COTE D'IVOIRE: ABIDJAN-BASED REGIONAL  
STOCK MARKETGROWS DESPITE IVORIAN POLITICAL  
PROBLEMS

¶1. (U) Summary. The Abidjan-based regional stock market (BRVM) recently hosted the EconChief to discuss the current expansion of the bourse, its potential, limitations, and its place in the evolution of the market economy in Francophone West Africa. Reflecting the regional understanding that Cote d'Ivoire remains vital to the zone's long term economic importance, the BRVM is healthy and expanding despite Cote d'Ivoire's persistent political problems. End Summary

¶2. (U) The Director of the Abidjan Office of the Abidjan-based regional stock market (BRVM), Amadou Tiadiane BAH, briefed the EconChief at BRVM HQ on the bourse's expanding capitalization and its role as an anchor of the regional financial network. While the West African Francophone-region stocks and bonds market remains a relatively modest player compared to its much larger brethren in Lagos and Johannesburg, it is growing, expanding its liquidity and attracting more international investors.

Some key BRVM statistics:

- Number of firms listed: 40
- Number of firms that are Ivorian: 36
- Total capitalization represented by non-Ivorian firms: over 50% (Senegalese telcon Sonatel and Togo-based regional banking powerhouse Ecobank together comprise approximately 1/2 of total BRVM capitalization)
- Total capitalization of stock exchange, as of (Sept. 29, '06): \$5.86 billion (vs. \$31.92 billion in the Lagos Stock Exchange and \$1.2 in Ghana's)
- YTD Growth of BRVM's Composite (Oct 2, '06): 31% (vs. 35% on the Lagos Exchange and 4% on Ghana's)
- Total capitalization of the BRVM bond market: \$569 million
- Number of brokers: 20 (9 in Cote d'Ivoire, 3 in Senegal, 3 in Benin)

History, Operation of the BRVM's Stocks and Bonds Bourses

¶3. (U) The BRVM, the world's first regional stock exchange, was formed in 1998 under the auspices of the Francophone West African Economic Monetary Union (UMOEa) and its regional Central Bank (based in Cote d'Ivoire), the BCEAO. The BRVM began with the 20 firms listed on the Ivorian-only exchange that had been in existence for 20 years prior to the BRVM's inception and has gradually added several firms from other West African nations as well as a number of Ivorian companies.

¶4. (U) The overrepresentation of Ivorian firms (in numbers, not capitalization) vis-a-vis those listed from other UMOEA countries is related in large measure to the weakness in

privatization in the region compared to Cote d'Ivoire. Cote d'Ivoire's mid-1990s privatization push (spurred in part by the 1994 CFA devaluation) created a natural pool for companies eager for public investment, particularly since, by Ivorian law, 20% of the shares of privatized firms must be made available to the public, and insurance companies are mandated to invest a percentage of their capital in the local capital markets. Other Francophone West African countries, by contrast, have lagged in privatization efforts.

¶5. (U) The BRVM's bond market remains limited in size. Both private and national bonds can be floated, as can bonds from the West African Development Bank (BOAD). Ivorian bonds are backed by the country's substantial port receipts, while investors demand that other nations' bonds be guaranteed with assets, limiting the regional sovereign debt market. Debt floated by Ivorian entities, public and private, dominates the BRVM's debt market, comprising over 60% of the total. (Note: Ivorian national bonds floated to pay WB arrears in May and June of '06 were done so outside of BRVM channels and are not included in this figure. End Note)

¶6. (U) Firms listed on the BRVM are scrutinized by the West African Regional Securities and Exchange Commission, which was created by and continues to be managed by UMOEA. Listed firms are required to be audited, as are brokers.

¶7. (U) Trading is done electronically. Trading takes place between 8:30am and 10:30am, with settlement being completed by 11:15am. All trades must be done through brokers, who electronically place buy and sell orders via a common computer interface allowing all market participants to instantly see the actions of the others. Buy and sell orders with matching prices are automatically married during the settlement period following the trading morning. BRVM HQ has

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a public viewing area to allow anyone to watch the trading as it goes on. Daily volume varies greatly, as is frequently seen in small, relatively illiquid markets.

#### Recent Expansion

¶8. (U) Ecobank, based in Lome but operating in 13 countries in West and Central Africa, cross-listed its share on the BRVM, Accra and Lagos stock exchanges on September 12. The firm, with its \$2.5 billion balance sheet, has added substantial liquidity to BRVM, and overnight the capitalization of the regional bourse nearly doubled.

¶9. (U) BRVM management attributes the exchange's steady, positive performance to the inherent profit potential of the listed firms as well as favorable tax treatment of investors. As of June 30, 2006, of those firms listed on the BRVM stock exchange that had paid dividends, the average annual dividend was 10.22%. Dividends are taxed at a 10% rate, and no capital gains taxes are levied. Bah estimated that between 20% and 30% of total investment into the BRVM comes from foreign (mainly institutional) investors, and that this figure is rising. There are no restrictions on foreign ownership or investment in the BRVM.  
Valle